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MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2021/2022

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

23 April 2022
2.30 p.m. – 5.30 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX (6)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1

Part A

MFRS 10 *Consolidated Financial Statements* requires parent companies to prepare consolidated financial statements that consolidate the financial statements of all subsidiaries. Illustrate **four (4)** instances in which a parent is exempted from the requirement to prepare consolidated financial statements.

(4 marks)

Part B

White Berhad engages in the tourism business. The company's financial year-end is 30 June. To expand the business, White Berhad acquired Black Sdn. Bhd and Orange Sdn. Bhd. on 1 July 2021. White Berhad acquired 300,000 out of 400,000 ordinary shares of Black Sdn. Bhd. on 1 July 2021 for RM400,000 cash. On the acquisition date, the fair value of Black Sdn. Bhd.'s ordinary shares was RM1.25 per share. On the same date, White Berhad acquired 100,000 out of 250,000 ordinary shares of Orange Sdn. Bhd. on 1 July 2021 for RM100,000 cash.

The followings are the statements of financial position as at 1 July 2021, immediately following the acquisition:

	White Berhad RM'000	**Black Sdn. Bhd. RM'000**	**Orange Sdn. Bhd. RM'000**
Sundry assets	110	500	560
Investment in Black Sdn. Bhd.	400	-	-
Investment in Orange Sdn. Bhd.	100	-	-
	610	500	560
Ordinary share capital	550	420	250
Retained profit	25	30	180
Non-current liabilities	35	50	130
	610	500	560

Required:

Prepare the consolidation journal entries and consolidated statement of financial position as at 1 July 2021 (show all workings), assuming that:

i. Non-controlling interest is measured using proportionate method.
ii. Non-controlling interest is measured at its fair value.

(21 marks)

(Total: 25 marks)

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QUESTION 2

Green Berhad is a Malaysian listed company that involves in the water dispenser business.

On 1 January 2015, Green Berhad had acquired 40% of the issued share capital of Yellow Sdn. Bhd. for RM300,000 when the retained profit was RM75,000. Green Berhad purchased another 40% of Yellow Sdn. Bhd's ordinary shares for RM500,000 on 1 April 2020. On 1 April 2020, the fair value of the initial 40% interest in Yellow Sdn. Bhd. was RM435,000.

Greed Berhad acquired 60% of the issued ordinary shares of Blue Sdn. Bhd. on 1 January 2018, when Blue Sdn. Bhd. retained profit was RM75,000. RM1,250,000 in cash was paid to Blue Sdn. Bhd. The identifiable net assets of Blue Sdn. Bhd were valued at RM2,000,000. On 31 December 2019, goodwill of RM10,000 was impaired. Green Berhad acquired an additional 20% of the issued ordinary shares of Blue Sdn. Bhd. on 1 April 2020 for RM1,300,000. On 1 April 2020, the fair value of Blue Sdn. Bhd's identifiable assets was RM6,000,000.

Green Berhad's revenue include sale to Blue Sdn. Bhd. amounting to RM500,000. These goods were invoiced at cost plus 25%. Blue Sdn. Bhd. still has 20% of these goods. The statement of profit or loss for the three companies for the year ended 31 December 2020 are as follows:

	Green Berhad RM'000	**Yellow Sdn. Bhd. RM'000**	**Blue Sdn. Bhd. RM'000**
Revenue	4,000	2,000	1,500
Cost of sales	(2,000)	(1,000)	(500)
Expenses	(600)	(500)	(400)
Tax expense	(400)	(150)	(100)
Profit after tax	1,000	350	500
Ordinary dividends paid in year 2020	50	-	-
Retained profits at 1 January 2020	250	100	300

Required:

i. Prepare the consolidated statement of profit or loss for the year ended 31 December 2020.

(21 marks)

ii. Compute the group retained profit as at 31 December 2020.

(4 marks)

(Total: 25 marks)

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QUESTION 3

Part A

Decrease in shareholding explains the reduction of the parent entity's interest in their subsidiary. Illustrate the **2 (two)** instances when the interest of the parents in the investee could decrease.

(5 marks)

Part B

The following information relates to three companies as at 31 December 2021.

	Kay RM'000	**Ely RM'000**	**Em RM'000**
Non-current assets			
Freehold land and building	875	160	115
Property, plant and equipment	70	105	42.5
Investment in ordinary shares:			
Ely	250		
Em	55		
Current assets			
Inventories	12.5	35	15
Account receivables	15	15	12
Cash and bank	80	15	10
	1,357.5	330	194.5
Equity and liabilities			
Ordinary share capital	1,175	225	150
10% Preference shares	100	25	
Retained earnings	34	35	30
Trade payables	48.5	45	14.5
	1,357.5	330	194.5

Additional information:

a. The issued share capital comprises:

	Kay	Ely	Em
Ordinary shares (in '000 units)	650	200	150
10% preference share (in '000 units)	50	20	-

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b. Kay acquired 160,000 ordinary shares of Ely on 1st January 2019. On that date, the retained earnings of Ely is RM55,000. Ely recognised non-controlling interest at fair value of RM80,000.

c. Kay has one-third interest in Em beginning from 1st January 2020 when the retained earnings of Em was RM22,500. Kay has joint control in Em due to the joint venture.

d. In year 2020, Kay sold a machine with a carrying value of RM5,000 for RM7,500 to Ely. The depreciation is charged at 20% on cost, giving full year's charge in the year of purchase.

e. Goodwill on consolidation for Ely was impaired by RM5,000. The impairment loss on the investment in Em is RM3,500.

f. Included in the receivables of Kay were RM1,000 due from Ely. Ely had remitted RM500 on account of these debts but Kay did not adjust its bank account. There is also RM1,500 due from Em.

g. During the current year, Kay sold inventories to both Ely and Em at cost plus 10% of RM5,500 and RM1,650 invoices price, respectively. Both Ely and Em have not sold any of these goods.

Required:

i. Compute the goodwill for each acquisition.

(5 marks)

ii. Prepare the consolidated statement of financial position of the group as at 31 December 2021. Show all relevant workings.

(15 marks)

(Total: 25 marks)

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QUESTION 4

The following are the consolidated financial statements of Roblix Group Bhd.

Consolidated Statements of Financial Position of Roblix Group as at 31 December

	2021 RM	2020 RM
Plant and Equipment	17,275,000	12,500,000
Investment in associate companies	2,075,000	1,925,000
Goodwill on consolidation	2,325,000	3,750,000
Inventory	4,775,000	3,700,000
Trade receivables	3,625,000	2,450,000
Cash and bank	6,145,000	1,475,000
	36,220,000	25,800,000
Ordinary share capital	10,000,000	10,000,000
Retained profits	9,000,000	5,500,000
Non-controlling interest	4,600,000	2,300,000
10% debentures	4,000,000	3,250,000
Trade payables	8,620,000	4,750,000
	36,220,000	25,800,000

Consolidated Statements of Comprehensive Income of Roblix Group for the year ended 31 December 2021

	RM
Turnover	40,000,000
Cost of sales	(24,000,000)
Gross profit	16,000,000
Expenses	(8,880,000)
Operating profit	7,120,000
Share of profits of associate companies	280,000
Profit before tax	7,400,000
Tax- Roblix Group and subsidiaries	(1,120,000)
Profit after tax	6,280,000
Profit after tax attributable to:	
Equity holders of Roblix Bhd	4,805,000
Non-controlling interest	1,475,000
	6,280,000

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Additional information:

a) On 1 January 2021, Roblix Group acquired an 80 percent interest in TokTik Berhad, by paying cash RM6,000,000. The fair value of the net assets of TokTik Berhad on 1 January 2021 were as follows:

	RM
Property, plant and equipment	4,200,000
Inventory	1,000,000
Trade receivables	1,075,000
Bank	1,325,000
Trade payables	600,000

b) The expenses for the year ended 31 December 2021 include depreciation charges on property, plant and equipment of RM1,625,000 and impairment of goodwill amounting RM1,825,000.

c) Dividends paid by Roblix Bhd during the year were as follows:
Ordinary share capital RM1,305,000
Non-controlling interest RM575,000

Required:

i. Prepare the consolidated cash flow statement for the year ended 31 December 2021 in accordance with the requirements of MFRS 107 *Statement of Cash Flows* using the indirect method.

(20 marks)

ii. Compute for year 2021, the profit margin and return on assets for Roblix Group and interpret your answer. Use the information below to support your answer.

Industry average	Profit margin	Return on assets
	15%	20%

(5 marks)

(Total: 25 marks)

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